Redemption of Preference Shares

1. ABC Co. Ltd. had part of its share capital in 2000 preference shares of Rs.10 each fully paid up and these have become due for redemption. The preference share capital was to be redeemed out of a fresh issue of equity shares at par made particularly for this purpose and the general reserve of the company stood at Rs.25,000. Show the journal entries for the above transactions.

2. Xaviar Co. Ltd. Issued 50,000 Equity shares of Rs.10 each and 3000, 10% Preference shares of Rs.100 each, all shares being fully paid. On 31.3.18, Profit and Loss Account showed an undistributed profit of Rs.50,000 and General Reserve Account stood at Rs.1,20,000. On 2.4.18, the directors decided to issue 1500, 6% Preference shares of Rs.100 each for cash and to redeem the existing preference shares at Rs.105 utilizing as much as would be required for the purpose. Show the journal entries to record the transactions.

3. The Producers Ltd.'s Balance sheet shows the following balances on 31-3-18. 30,000 equity shares of Rs.10 each fully paid; 18,000 10% Redeemable Preference shares of Rs.10 each fully paid; 4000, 15% Redeemable Preference shares of Rs.10 each, Rs.8 paid up. General Reserve Rs.1,20,000; Securities Premium Rs.15,000; Profit Loss Account Rs.80,000 and capital Reserve Rs.20,000. Preference shares are redeemed on 1-4-18 at a premium of Rs.2 per share. For redemption, 4000 equity shares of Rs.10 each are issued at 10% premium. A bonus issue of equity share was made at par, two shares being issued for every five held on that date. Show the journal entries to record the above transactions.

4. Spot light Ltd has issued share capital of 60,000, 8% redeemable preference shares of Rs.20 each and 4,00,000 equity shares of Rs.10 each. The preference shares are redeemable at a premium of 5% on January 1, 2016. As on December 31, 2015 the company's Balance Sheet showed the following position:

Liabilities	**Rs.**	**Assets**	**Rs.**
Issued Share Capital: 60,000, 8% Cum. Preference Shares of Rs.20 each, fully paid 4,00,000 Equity Shares of Rs.10 each, fully paid	 12,00,000 40,00,000	Plant and Machinery	25,00,000
Profit and loss account	7,00,000	Furniture and Fixture	9,00,000

Sundry Creditors	11,00,000	Stock	15,00,000
		Debtors	14,00,000
		Investments	3,50,000
		Balance at Bank	3,50,000
	70,00,000		**70,00,000**

In order to facilitate the redemption of preference shares, it was decided:

(a) To sell the investments for Rs.3,00,000;

(b) To finance part of the redemption from company funds subject to leaving of balance on Profit and Loss Account of Rs.2,00,000;

(c) To issue sufficient equity shares of Rs.10 each at a premium of Rs.2 per share to raise the balance of funds required.

The preference shares were redeemed on the due date and equity shares were fully subscribed.

You are required to prepare (i) Journal Entries to record the above transactions; and (ii) A Balance sheet as on completion of redemption.